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REVIEW STAFF

75-2344

11 August 1975

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting with Staff of House Select Committee on Intelligence

25X1 1. As arranged by [redacted] CIA Review Staff, I met with Mr. Edward Roeder and Ms. Emily Sheketoff of the House Select Committee on Intelligence in my office on 3 August 1975. The session lasted from 1130 to 1530 hours. The purpose was supposed to have been to brief Roeder and Sheketoff on proprietaries, but we covered more philosophy on intelligence operations, the compatibility of a clandestine service with the American Constitution, and the probable repercussions of the continuing revelations of intelligence methods, sources, and activities than the whys and hows of proprietaries.

2. At the outset I informed my two discussion partners that I was under cover and requested that there be no publicity connected with my name. I asked whether they had received the paper on "proprietaries" and the lists of operating and non-operating proprietaries which had been released to the Committee Chairman on 1 August 1975. They had the paper on "proprietaries", but not the lists. (I learned only on 6 August 1975 that the lists had not been released; but, as suggested by me, were to be used for in-house briefing only.)

3. The following substantive points arose:

a. A long and inconclusive exchange as to why we had classified the proprietaries as operating and non-operating. Roeder made the half-hearted charge that the purpose was to confuse the investigators. He had equated "non-operating" with dormant and initially was not to be talked out of this.

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c. Roeder pressed for the number of NOC officers overseas and in the United States. I did not have my statistics available and refused to give a guess as a reply. On the morning of 4 August 1975, I called Roeder's office and provided the figures on NOC officers as of 30 June 1975: Total NOCs - [redacted]

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d. Roeder left no doubt that the Committee would require the true names of the proprietaries, as well as the names of all nominee officers and directors. In the course of the discussion of these points, Roeder stated that the names will be necessary to determine what politicians are nominee directors or officers of CIA proprietaries and whether these connections had been used by CIA to subsidize their political activities. I flatly stated that we did not use politicians as nominee officers and directors because of the potential misintrepretation of such connections, but that nominee officers and directors of proprietaries had to be reasonably substantial people to make the cover viable. I added that it was possible that in one or another case nominee directors or officers of proprietaries might have become involved in local politics.

e. A long discussion was devoted to the "nonsense" of maintaining secrecy in regard to proprietaries which had been compromised or terminated. Roeder's position: The American people must be informed of what its Government is doing. My position: CIA needs the assistance of many citizens to run its proprietaries and other activities; CIA asks them to observe secrecy, 25X1 conversely they expect that CIA will not expose them; why should anybody be willing to cooperate with CIA if he must expect to be named in public?

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h. Roeder asked for the names of the [ ] managers. I replied that I was not authorized to provide them. He countered that the project managers will have to be interviewed by the Committee. I answered that this could undoubtedly be arranged, as long as it was understood that the managers' true names and the office address would not be provided for security reasons.

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i. Roeder stated that he had asked for (1) [ ] Policy Paper of February 1974, (2) [ ] Administrative Plan, (3) all yearly and consolidated financial statements since the beginning of [ ] (4) the monthly [ ] portfolio report for each June since the beginning of the Porject. (These requests are now in hand and are being processed.)

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j. Roeder quoted from Headquarters [ ] on proprietaries, paragraph 6e(2)(a) on termination plans, which, among other possibilities, provides for terminating proprietaries by "gift". He asked me how many proprietaries we had given away and could not believe it when I replied "none, to my knowledge". The fact that this possibility is included in the Handbook has convinced him that CIA is giving real assets away--at least on occasion.

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k. While taking Roeder and Sheketoff to the exit and apropos of nothing connected with the on-going conversation, Roeder asked whether we had hired unwitting CPA's and had them certify "doctored books" of proprietaries as true accounts or whether we had forced Staff Employee auditors to "certify doctored books" of proprietaries as true accounts. I explained to Roeder that proprietary books are true accounts, except for non-operating companies and devised facilities where a number of entries "have to be made up" and that we control the loss and profits of the majority of our proprietaries by the manner in which we introduce CIA funds. I said that as a matter of policy we are not interested in showing sizeable net earnings because it simply meant taking money from one of Uncle Sam's pocket and putting it into another. The assumption that this constituted certification of "doctored documents" in the manner in which the question was asked was incorrect. I added that all proprietary books were reconciled to internal CIA financial control systems in order to assure ourselves that all proprietaries were properly operated. Since they were on their way out, Roeder and Sheketoff made no notes on this point.

4. Underlying a good part of this meeting was Roeder's unconcealed belief that CIA used and manipulated proprietaries for other than valid operational purposes. When I called his hand on that, he told me to "relax" and that he did not question or impugn my integrity. This did not stop him, however, to continue to ask, in fact, when I stopped beating my wife.

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5. Roeder is also under the impression that CIA is terminating some operational activities because "they are too difficult to explain to Congress" and he urged me that we do not do this, since the House Select Committee Staff will make it its business to explain these difficult matters to the Committee. I assured Roeder that I was not aware of any termination of operational activities for this reason. I said we were going on the assumption that CIA and the DDO would continue to exist and that such changes as we were making in our operational activities, were dictated by changing operational requirements and, in some instances, by a changing political climate; but not because we did not know how to explain this to Congress. In this connection, I made the point that we could not provide the true names of proprietary nominee directors and officers and [redacted] personnel because we had to protect their security in order to insure our continued viability.

6. On 5 August 1975 Roeder called me to inquire when the paper on "proprieties" was written. I told him at the end of July 1975, but that it had been drawn from other existing papers on the subject. He asked: "Papers for the Rockefeller Commission?" I said, yes, among them. He then commented that this was "a good paper" and, if it would have been shorter, would have been distributed to the members of the Committee in toto; because of its length, he had to excerpt it.

[redacted]  
Chief, Cover and Commercial Staff

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